



ENERGY GREEN PAPER 2006 – CONSULTATION PROCESS

ASSEMBLY SUBMISSION

1. The Southern & Eastern Regional Assembly welcomes the publication by the Government of its Green Paper on Energy, 'Towards a Sustainable Energy Future for Ireland'. Publication comes at a particularly opportune time in light of the increasing public interest nationally and internationally in energy matters. In the context of rising energy costs and the pressure on Ireland to meet its international commitments on energy emissions, there is clearly a need to take urgent action to promote the use of sustainable and alternative energy sources. These issues, while important in their own right, form part of a wider discussion aimed at putting in place policies to meet the future energy needs of the economy, a fact recognised in the Green Paper. There is scope for action across all of the sectors, but this will require a co-ordinated approach to policy in this and related areas. The Assembly welcomes this opportunity to participate in the consultation process on the Green Paper and to provide an input into the formulation of the future national strategy on this key area of policy.

2. The recently-published Stern Report, 'A Review on the Economics of Climate Change' points to the very serious implications for the world economy and environment of failing to make progress in substantially reducing greenhouse gas emissions. While many of the Report's forecasts and conclusions are only speculative at this stage, the underlying message is clear and broadly accepted both in Ireland and internationally: a continuation of the slow international progress towards reducing greenhouse gas emissions will have serious economic and environmental consequences in the medium to long term. Furthermore, there could be particularly serious environmental consequences for coastal countries such as Ireland if substantial emissions reductions are not achieved. It is vital, therefore, that the necessary policies and approaches are implemented without delay.

3. The Assembly agrees with the overall thrust of the Green Paper in its focus on the three main pillars of: Security of Supply; Sustainability and Competitiveness. It is around these core issues that accommodating the future energy needs of Ireland and the Region will be built. The Assembly also considers it essential that the strategy for sustainable energy should be fully integrated with the National Spatial Strategy (NSS).

4. It is widely recognised that policy towards a sustainable energy environment has been slow to develop in Ireland. Progress on the sustainable energy measures under the National Development Plan 2000-2006, for example, has been poor and while public awareness of the need to apply and develop sustainable energy policies is increasing, this has not always translated into concrete and concerted action. Given

Ireland's heavy reliance on imported fossil fuels and the uncertainties that surround future global markets for fossil fuels, the Assembly considers that the promotion of sustainable and renewable energy sources should now be given the highest priority in the development of energy policy in Ireland.

5. The Assembly supports the Government's targets set for achieving renewable energy sources as a proportion of electricity consumption of 15% by 2010 and 30% by 2020. While there are serious questions about whether these targets will actually be achieved if present policies are continued, the Assembly believes that vigorous efforts should be made to do so through an accommodating policy stance by Government. According to the latest available data, Ireland's renewable sources account for 2.2% of Ireland's energy requirement in 2004 and that the total contribution from renewable energy to gross electricity consumption was just over 5%. With the projections for continued economic growth and associated growth in energy demand, the Government's targets will only be achieved through significant public and private investment in renewable energy and energy efficiency measures. In particular, the Assembly would strongly support increased public investment in sustainable energy infrastructure. In addition, significant fiscal incentives will be necessary to encourage more private sector investment in sustainable and renewable energy sources if the Government's targets are to be achieved.

6. The Green Paper notes that energy saving is the quickest, most effective and most economic means of reducing energy usage and emissions. A key challenge in achieving energy savings is encouraging consumers to change their behaviour. In this regard, the Assembly welcomes the launch of a national energy efficiency awareness campaign which is to be targeted at all key sectors in the economy. The Assembly would suggest that the campaign should be adequately resourced and should be specifically tailored for the different sectors to be targeted. It is essential that all consumers be advised on the potential savings which can be made through more efficient consumption on electricity, gas, etc and on the costs which inefficient energy use brings about. The proposed target of delivering a 20% improvement in energy efficiency by 2020 is also welcomed but consideration should also be given to setting more short-term targets so that progress to more efficient energy usage can be monitored on an on-going basis. The Assembly would also propose that the Government should consider setting targets for reductions in energy consumption by public sector organisations.

7. The Assembly welcomes the measures aimed at ensuring more energy efficient housing which will go a substantial way to reducing overall energy consumption. In the Assembly's view, greater attention needs to be focused on building inspection procedures to ensure that specifications, particularly in relation to insulation, are fully adhered to in the building phase. The Assembly is concerned that insufficient on-site inspections are taking place during the construction of houses to ensure full compliance with building regulations. The Assembly strongly supports the Building Control Bill currently before the Oireachtas. The Bill, which provides the legal basis for transposition of the EU energy performance of buildings directive, should bring long-term cost savings to householders and business and help to meet Ireland's greenhouse gas emissions obligations under the Kyoto Protocol. However, if these benefits are to be achieved, it is essential that local authorities who are

responsible for carrying out inspections are adequately resourced to fulfil their new and their existing responsibilities in relation to building controls.

8. The Regional Assembly also recognises that there are weaknesses in the existing housing stock also and in this context, the requirement under the Building Control Bill that from 2009 existing houses must also have energy rating certificates is very welcome. However, the ESRI report 'Irish National Survey of Housing Quality' (2001) identified a link between low-income households and poorly insulated, and inefficiently and inadequately heated housing. The same report also found that the energy efficiency of dwellings is strongly affected by dwelling age and noted that 62% of pre-1940 dwellings had no wall insulation. These categories of households should be targeted for priority assistance under the proposed expansion of the Low Income Housing Programme implemented by Sustainable Energy Ireland and the rationalisation of the Department of the Environment, Heritage and Local Government's Essential Repairs Grant Scheme. While the Assembly recognises that the installation of gas-fired central heating in local authority housing is preferable to using other more carbon-intensive fossil fuels, it has concerns regarding the long-term sustainability of this given the limited global reserves of gas. Consideration of new and innovative approaches to addressing the heating/energy requirements for social housing development should be explored including, for example, the possibility of supporting CHP projects linked with social housing projects.

9. The Assembly welcomes the steps being taken to develop an all-island energy market. Ensuring security of energy supply will be critical to Ireland's future economic prospects so establishing linkages into the much larger UK energy market will be beneficial. The proposals to establish further electricity and gas interconnections with Britain are very welcome and should be fast-tracked. Ireland's peripheral location places it at a significant disadvantage given its reliance on imported fuels. In this context, having access to larger markets for both energy and fuels would reduce exposure to shortages at times of peak demand. Therefore, the Assembly calls on the Government to ensure that the development of trans-European energy networks is kept at the forefront of discussions at EU level.

10. The Government's proposals to achieve 15% of electricity consumption from renewable sources by 2010 and 30% by 2020 are, as noted above, challenging but necessary. However, given the fact that global gas and oil resources are finite and that global demand for both commodities continues to rise, Ireland will have to exploit renewable sources if we are to limit the effects of energy market-driven price inflation and reduce greenhouse gas emissions. In that endeavour, the Assembly calls upon the Government to put in place, as a matter of priority, the necessary policy instruments to encourage greater use of renewables in the generation sector. As well as the fiscal incentives which will be necessary to encourage private investment in developing renewable sources, the Government should ensure that the necessary infrastructural investment in the national grid is in place to ensure that energy generated by renewable sources can be exploited without delay. The Assembly also supports the Government's decision to maintain the statutory prohibition on nuclear generation.

11. The Assembly recognises that Ireland faces significant challenges to achieve its Kyoto 2012 emissions targets. It is a significant concern that despite having

binding commitments to limit our emissions to 13% above 1990 levels, total emissions in 2004 were 23% above 1990 levels – this means we will have to reduce or offset emissions by 7.174 million tonnes if we are to achieve the targets. While this is a common challenge faced by most of Ireland’s EU partners the decision by the EU Commission on 29 November to reject the Government’s proposals for participation of the Irish industrial sector in the EU Emissions Trading Scheme from 2008 highlights the particular difficulties Ireland faces over the next few years. The Commission has expressed the view that Ireland is not taking sufficient action to reduce projected emissions from the non-trading sectors and in particular the transport sector. Furthermore, it has expressed doubts about Ireland’s administrative capacity to adequately offset emissions from the non-trading sector through the purchase of carbon credits in the market. While the Assembly is aware that Government proposals to put the necessary administrative arrangements in place are expected to be put before the Oireachtas in the near future, the Government’s proposals to purchase up to 3.6 million credits per annum for the period 2008-2012 in order to achieve our Kyoto targets could have very significant implications for the Exchequer if the market price of carbon rises significantly.

12. The Assembly recognises that the participation of Ireland’s larger industrial and energy-consuming facilities in the EU Emissions Trading Scheme will continue to focus their efforts on limiting the CO² emissions from those facilities. However, activities in other sectors such as transport, agriculture, households and waste management also generate significant CO² emissions where similar behavioural changes will be required. This is particularly so in the transport sector, as highlighted by the Commission, where emissions levels have been rising considerably during Ireland’s years of economic growth. From a sustainable environmental perspective, there have been positive developments in some areas (such as CAP reform and decoupling in agriculture). However, emissions from most other sectors have not reduced and are unlikely to do so without concerted action. The Assembly, therefore, calls upon the Government to apply its efforts across all sectors of the economy to ensure that Ireland reaches its Kyoto targets without having to rely unduly on emissions trading.

13. It should be noted that the Emissions Trading Scheme will potentially place a large financial burden on the firms affected and that ultimately those costs will be borne by households and individual consumers. While the Regional Assembly recognises the importance of Ireland fulfilling its Kyoto environmental obligations, full consideration should be given by the Government to the wider economic and policy implications of its evolving policy on this complex subject. In this regard, the Regional Assembly believes that close attention should be given by the Government to evolving emissions policy developments in our EU partner countries, so that Ireland’s policies runs in tandem with theirs’ and with no resulting competitiveness losses for Ireland.

14. The Assembly also supports the commitment to increase substantially the usage of bio-energy in the transport sector. The significant expansion of the transport sector in Ireland has been a necessary by-product of our strong economic performance. However, the increasing levels of road freight coupled with growing commuter traffic have had profound negative impacts on the environment as well as on the general quality of life. Promoting the use of bio-energy through a system of

meaningful fiscal incentives would, in the view of the Assembly, support the development of a cleaner transport sector. With this in mind, the Assembly believes that more ambitious targets should be established for the penetration of bio-fuels in the transport sector. The Government should continue to ensure that sufficient fiscal disincentives are in place to discourage the use of large, high energy-use motor vehicles. The Assembly also proposes in order to promote 'best practice', that future investment in the State-owned public transport fleets should be concentrated on vehicles which utilise bio-fuels. Furthermore, the Assembly proposes that consideration should be given by the Government to introduction on a graduated basis of bio-fuel vehicles into any future deregulated public transport markets. The Assembly would also propose that the Government should explore the possibility of the recently closed sugar processing facilities in Mallow being utilised for the production of bio-fuel on an industrial scale.

15. The Assembly recognises the key role which technological development and innovation play in the changing energy market, particularly in renewable energy sector. The proposals and actions relating to energy research outlined in the Strategy for Science, Technology and Innovation (SSTI) should be implemented without delay. The Strategy notes that the annual turnover of the energy sector in Ireland is €7.2 billion yet investment in energy research projects this year is just €25 million. The Assembly considers that the Government should attach a high priority to increasing the level of research on energy and a meaningful step would be to prioritise public resources available for the RTDI sector to examine and explore potential energy sources.

16. Ireland could benefit significantly if it can be at the forefront of developments and innovations in renewable energy sources. For example, as an island nation, Ireland should be geographically suited to exploit tidal energy and it is suggested that the Government could prioritise research into this source of energy. The Assembly believes that the current role and resource base of Sustainable Energy Ireland (SEI) should be enhanced significantly to promote research and technological development in the critical area of renewables. Finally, in addition to the Energy Research Council proposed under the SSTI, the Assembly believes that the Government should also consider establishing a National Energy Research Centre within one of the Higher Education Institutes.

17. Despite the importance of developing renewable energy sources, it must also be acknowledged that hydrocarbon sources will continue, for some time at least, to be the dominant component of the Region's energy mix. To that end, the Assembly supports the objective of continuing to promote Ireland as a location for oil and gas exploration and to consolidating regulatory procedures and institutional arrangements for bringing oil and gas ashore. In recognition too of the fact that natural gas is a relatively clean fossil fuel and a vital component of our future energy mix, the Assembly broadly supports the Green Paper's policy objectives in relation to security of gas supplies.

18. The Assembly understands the strategic priority arguments attached to retaining State ownership of the electricity-generating network and to the ESB. However, there may be some difficulty in accommodating these priorities while also seeking to ensure that there is real and effective competition in the sector.

Accordingly the Government should clearly set out its proposals relating to the future development of the electricity market. While recognising the important economic position of the ESB and its public service remit, the Assembly would also support measures to increase competition in the generation, transmission and distribution sectors in the interests of consumers and businesses in the Region. In this endeavour, the Assembly believes that the Government's White Paper should set out detailed policy proposals on how a more competitive electricity market can be achieved.

Southern and Eastern Regional Assembly
30 November 2006